

Reserve

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Trends in production and employment indicate that a further weakening in consumer demand for the products of agriculture and industry is in prospect, although sharp reductions are not expected.

A three percent decline from March to April dropped overall industrial production 8 percent below the post-war peak of last October.

Declines were general among both durable and nondurable industries. Production in the automobile industry continued to expand in April but output in most other industries is below the high points reached after the war.

Declining production is reflected in declining nonfarm employment. In April, 50 million persons were working at other than agricultural jobs, 300,000 less than in March, 900,000 less than a year earlier. About 1.4 million fewer were working full time than in April, 1948.

Boosted by seasonal increases in agriculture, however, total civilian employment was up 200,000 from March but was half a million below a year earlier. Three million were out of work, 800,000 more than a year earlier.

Trends in employment and production are reducing the flow of income to consumers. During the first quarter of this year, disposable personal income--personal income after taxes are taken out--dropped 1.6 billions below the annual rate for the fourth quarter of 1948.

Consumers have reduced their spending more than their income has declined. Consumer expenditures in the first 3 months of 1949 dropped to an annual rate of 176.6 billion dollars, 4.4 billion lower than in the preceding quarter. Savings, on the other hand, were up 2.8 billion to an annual rate of 21.2 billion dollars.

Prices received by farmers have declined about 1 percent in each of the last two months; the index in May was 17 percent below the January 1948 record. The index of prices paid by farmers including interest and taxes has declined only about 2 percent since that time. Since prices received have dropped more than prices paid, the parity ratio in May was down to 104, 10 percent below a year earlier.

The wholesale price level rose slightly in May after declining in April. Except for metals and metal products, all groups of products making up the BLS index are below a year earlier. Sharpest drops have occurred in farm products, food and textiles.

Prices received by farmers and wholesale prices generally have gone down far more than the retail prices paid by city and farm people. In April, the BLS urban consumer price index was slightly higher than in March and down only 3 percent from last fall's high. Prices paid by farmers for family living items in May were down about 3½ percent from the 1948 peak.

AGRICULTURAL EXPORTS The value of farm products exported by the U. S. in the first quarter of 1949 was 1,013 million dollars, 8 percent above the previous quarter and about 18 percent above the first quarter of 1948. Cotton and linters accounted for most of the gain over the last 3 months of 1948.

FARM INCOME Farmers received about 9.8 billion dollars from marketings during the first 5 months of 1949. This is 5 percent less than receipts during the same period last year. Largest declines came from marketings of meat animals and dairy products, chiefly because of lower prices.

FOOD Retail food prices in the late spring and summer are expected to be generally lower than in the same months of 1948. However, no sharp, general break is likely. Food prices for 1949 probably will average only moderately below last year. Consumption of food per person is expected to be about the same as in 1949.

LIVESTOCK AND MEAT Prices of hogs and the better grades of cattle may weaken before advancing seasonally this summer. Meat consumption per person in the January-March quarter was down about half a pound from the same period a year earlier.

DAIRY PRODUCTS Farmers probably will receive almost 4 billion dollars from marketings of milk and butter-fat in 1949 compared with 4.4 billion in 1948. They will sell more milk than last year but prices will run considerably lower. Net income of dairymen also may fall below 1948 since production costs probably will not drop as much as cash receipts.

The number of milk cows has continued to fall but output per cow has been very high. Milk production the first 4 months of 1949 was up 3.5 percent over a year earlier; may total around 117.5 billion pounds in 1949 compared with 115.5 billion last year.

POULTRY AND EGGS Prices of eggs reached their spring season low in March, a little earlier than usual. They are likely to continue up at about the usual seasonal rate until fall.

Poultry prices broke sharply in late April; in mid-May chicken prices were down 2.8 cents a pound from a month earlier, while turkey prices were off 5.7 cents.

FATS AND OILS In the first quarter of this year, the U. S. exported 516 million pounds of fats, oils and the oil equivalent of oilseeds; 76 percent more than a year earlier. On an annual rate basis, this was higher than in any other year. Imports during the period were a third less than a year earlier.

FEED If the weather is favorable this summer and fall, feed grain prices probably will continue near or below the 1949 supports. In recent months, corn has been running 20 to 30 cents below the loan; other feed grains near or below support levels.

WHEAT As the new crop is harvested, cash wheat prices are likely to drop to a low point in July or August and then advance. Disappearance of wheat for the year ending June 30 is expected to be about 1,175 million bushels. This would leave a carryover of more than 300 million bushels, much of which would be owned by CCC.

FRUITS AND VEGETABLES As supplies from the 1949 deciduous fruit crop come on to the market this summer, prices probably will fall to levels near those of last summer. Prices of citrus fruits will continue substantially above those of last summer.

Supplies of fresh vegetables for June and July are about the same as last summer. Consumer demand is slightly weaker. As a result, farmers' prices in June and July probably will average below a year earlier.

Commercial processors apparently plan to operate on about the same scale as in 1948. Prices offered growers probably will average only a little below those of last year.

Shipments of new potatoes by rail and boat have exceeded those of old potatoes since early May. Prices to farmers for the 1949 crop are expected to continue near support levels.

Sweetpotato acreage this year probably will be even smaller than last and prices to farmers are expected to stay high. The product will be scarce in northern markets until the new crop begins moving.

COTTON Demand for cotton for export has been heavy and supplies of "free" cotton have been tight. In the first half of May, cotton prices continued only slightly below the season's highs of late April.

Slightly more than half of all domestic stocks of cotton are estimated to have been under CCC loan on May 1.

TOBACCO With demand for Maryland, type 32, tobacco very strong, prices averaged 52 cents a pound for nearly 13 million pounds sold at auctions in May compared with 43 cents a pound for sales in May, 1948.

Output of cigarettes from July 1948 through June 1949 is expected to total between 380 and 385 billion compared with 379½ billion in 1947-48. A decrease in exports has been more than offset by larger domestic consumption.

